

August 23, 2011

Governor's Commission on Waste, Fraud and Abuse

Unemployment Insurance System Errors – DWD Comments

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**Improper Payments:**

- ◆ As the Chairman has stated in the report to the commission, there is a difference between “improper payments” and actual overpayments. Improper payment reporting is strictly a quality control exercise. The rate includes overpayments, underpayments and errors in processing where a correct payment or no payment was made.
  - The UI Division is required by the Department of Labor to sample 480 cases and review them for processing accuracy.
  - The reviewers can and do take as much time as needed to verify proper handling of each claim.
  - The time for actually processing a claim or resolving an issue is governed by strict DOL performance measures both for timeliness and quality. Of the errors reported in the QC process, about 9 percent are made by UI staff only or in combination with the employer or claimant. 91% are claimant, employer, or claimant and employer errors in reporting.
- ◆ What causes these errors?
  - Incorrect information from claimant or employer.
  - Incorrect coding or handling of the claim.
  - 45% of the reported improper payments in 2010 were attributed to Work Search Issues. We discovered that WI misinterpreted the DOL coding rule for work search and consequently was coding this issue incorrectly. 43 cases of the sample population were incorrectly coded as work search errors. For the current year to date, only 7 cases involve work search errors. This coding correction alone should reduce our improper payment rate for the 2011 report.
  - Work load - In a typical year, the UI Division pays between \$850 million to \$1 billion in benefits. In 2009 and in 2010, we paid about \$3.1 billion in benefit payments. We were expected to do this with our current staff supplemented with projects and LTE's. It takes minimally 6-7 weeks to train a claim's specialist to take a claimant call and many months to train an adjudicator in the very basic issues. An adjudicator can not handle the entire family of issues without 18-24 months of training.
  - Augmenting our permanent position authority with temporary staff to assist with our winter workload has been a long standing business practice for the division. To augment our position authority with close to 200 temporary staff for almost three years has been problematic. It has been a revolving door as temporary staff move to permanent positions or move to a project position with a more distant end date. The turnover has seriously eroded our productivity due to the constant need to train new temporary staff that never gain the expertise needed fulfill the expectations of the job.
  - In addition to the temporary staff turnover, the Division lost 86 permanent staff between December and June of this year.

**Actual Overpayments:**

- ◆ The Chairman points out that the number of overpayment cases increased 130% from 2008 to 2010 and the average overpayment amount increased by 61% from \$149 to \$240. Not to minimize the problem but to put this increase in context - actual benefit payments increased 157% from 2008 to 2010 and 243% from 2007. In 2010, we paid \$3.1 billion in benefit payments. In 2007, we paid \$914 million. Additionally, the average claim's duration grew from about 13 weeks in 2007 to a current average of about 19 weeks.
- ◆ Due to the sheer volume, collections as a percentage of overpayments have lagged from prior years but the actual amount collected increased from \$15.7 million in 2008 to \$35.6 million in 2010, an increase of 125%. We will continue to collect overpayments detected in prior years with an assortment of collection tools. WI was one of only 2 states to implement TOP, the federal tax offset program for fraudulent overpayments. That program will now be expanded to include all overpayments due to wage concealment. Over time, we typically collect about 78% of all overpayments.
- ◆ Federal Additional Compensation – The Chairman notes our failure to collect FAC overpayments. As noted in our recommendations, UI has a critical need to modernize its very archaic legacy application. Using our current software application we were unable to make timely payments for the federal extended benefit programs initiated in 2008 or set up FAC overpayments. It was deemed more critical to pay claimants during the worst recession since the eighties than establish FAC overpayments. That work is now complete and tested. Notices will be issued and collection efforts started by the end of the month.
- ◆ Our accounts receivable balance for both claimant overpayments and employer tax receivables has grown from \$82.5 million in 2007 to \$205.8 million currently. We agree with the Chairman that we do not have an adequate number of collectors to pursue and collect delinquencies to reduce the pace of this growth.